

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

PETITION OF GASCO)
DISTRIBUTION SYSTEMS, INC.)
FOR APPROVAL OF DEBT)
ISSUANCE)

EXECUTIVE SECRETARY

DOCKET NO.

00-00171

PETITION OF GASCO DISTRIBUTION SYSTEMS, INC.
FOR APPROVAL OF DEBT ISSUANCE

Gasco Distribution Systems, Inc. ("Gasco") petitions the Tennessee Regulatory Authority ("TRA") pursuant to T.C.A. §65-4-109 for approval to issue evidence of indebtedness as set forth herein. In support of this Petition, Gasco provides the following information:

1. Gasco is an Ohio corporation which maintains its principal place of business at 4435 East Pike, Zanesville, Ohio 43701.
2. Correspondence concerning this Petition should be directed to Allen D. Lentz, Gullett, Robinson & Martin, PLLC, 230 Fourth Avenue North, 3rd Floor, Post Office Box 198888, Nashville, TN 37219-8888, Phone No. (615) 244-4994, Facsimile No. (615) 256-6339, Email address: alentz@gsrm.com.
3. Gasco seeks authority from the TRA to enter into a credit facility with KeyBank N.A. containing the following terms and conditions:

| | |
|-------------|--|
| Borrower: | Gasco Distributions Systems, Inc. |
| Facility: | \$1,600,000.00 term loan |
| Guarantors: | Fred A. Steele; Gordon R. Brothers, Charles D. Hercher; Kenneth D. Magyar |

Make Well
Provision:

Borrower shall maintain unencumbered liquidity of not less than \$115M (3 months principal payments) in aggregate amount in an account at KeyBank/McDonalds Investments. Lender will have the right to offset the account to make monthly debt service on any obligation to KeyBank if at any time during the life of the loan, the Borrower fails to make the monthly payment within 10 days of the due date. In the event such offset occurs, the Borrower further agrees to recapitalize the account within 20 days of offset. In the event of default, the Lender has full right of offset on the entire account. The Lender will agree to review this requirement after two (2) fiscal years have been completed and annually, thereafter, as necessary.

Collateral:

Blanket first and best lien on all assets of the Borrower.

Repayment:

7 (seven) year note with a 7 (seven) year amortization.

Payable in monthly principal payments of \$38,100 during the months of Dec. through May. Accrued interest to be paid monthly.

Purpose:

To refinance the term loan with Joint Energy Development Investments (JEDI), releasing any and all assets currently held as collateral by JEDI for Gasco Distribution Systems, Inc. and Subsidiaries, reacquiring the JEDI stock option of Gasco Distribution Systems, Inc.; the accounts payable trade debt owed to Enron Capital & Trade Resources Corp. and the release of personal guarantees of Fred A. Steele, Kenneth D. Magyar, and Charles D. Hercher on the JEDI facility.

Rate:

The fixed interest rate for the seven year term would be 10.89%.

Fees:

\$50,000
(1/3 due at closing, 1/3 due 60 days, 1/3 due 120 days)

Documents:

All loan documents relating to the Facility(ies) must be in a form and substance acceptable to the Bank's counsel.

Other:

Borrower will be required to maintain a primary operating deposit account with KeyBank. Cash Management products/services are available to accommodate daily operations.

Covenants: The loan agreement will include financial covenants which will be mutually agreed upon by Gasco Distribution Systems, Inc. and the Bank.

4. The purpose for which Gasco proposes to enter into this credit facility is to pay in full the current outstanding balance on the existing loan to Gasco from Joint Energy Development Investments ("JEDI"). JEDI has agreed to accept One Million Six Hundred Thousand Dollars (\$1,600,000.00) in full payment of Gasco's current outstanding balance of Two Million Three Hundred Twenty-two Thousand One Hundred Twenty-three Dollars and 72/100. (\$2,322,123.72). In addition, JEDI has agreed that all accrued interest from September 30, 1999 through January 31, 2000 (totaling \$170,250.94) will be forgiven. Additionally, Gasco will not be required to pay interest on the outstanding loan from JEDI during the period prior to the approval of the new financing by the regulatory authorities in the various states regulating Gasco's finances. The stock option held by JEDI will be returned to the shareholders of Gasco, and the personal guarantees of certain of the Gasco shareholders will be released. Gasco will realize debt forgiveness in the amount of Seven Hundred Twenty-two Thousand One Hundred Twenty-three Dollars and 72/100. (\$722,123.72).

5. An integral part of this refinancing concerns an account trade payable owed to Enron North America Corp. ("Enron") by Gasco, Inc., a subsidiary of Gasco which is not a regulated public utility. The current amount of said account trade payable is approximately Eight Hundred Fifty Thousand Dollars (\$850,000.00). This amount will be reduced to Six Hundred Thousand Dollars (\$600,000.00) and paid to Enron over a six (6) year period with no interest. The payments will be in the amount of Seventy Five Thousand Dollars (\$75,000.00) per year for the first three (3) years and

One Hundred Twenty Five Thousand Dollars (\$125,000.00) per year for the last three (3) years. Gasco, Inc. will realize debt forgiveness in the amount of approximately Two Hundred Fifty Thousand Dollars (\$250,000.00). Said payments are not an obligation of the Petitioner Gasco.

6. If the TRA grants authority for the proposed debt issuance, Gasco will provide copies of the executed loan documents to the TRA after the closing.

7. The proposed financing transaction complies with all applicable laws and is in the public interest.

WHEREFORE, Gasco respectfully requests that the TRA authorize the issuance of the credit facility as herein proposed.

Respectfully submitted,



ALLEN D. LENTZ, #3324

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Attorneys for Gasco Distribution Systems, Inc.

AFFIDAVIT

STATE OF OHIO)
)
COUNTY OF MUSKINGUM)

Fred A. Steele, being duly sworn according to law, deposes and states that he is President of Gasco Distribution Systems, Inc., that he is authorized to and does make this Affidavit for it and that the facts set forth herein are true and correct to the best of his knowledge and belief, and further that he expects Gasco Distribution Systems, Inc. to prove the same at any hearing hereof.

THIS 2ND DAY OF MARCH, 2000.

Fred A Steele
FRED A. STEELE, PRESIDENT
Gasco Distribution Systems, Inc.

SWORN TO and SUBSCRIBED before me this 2nd day of March, 2000.

Trina L King
Notary Public

My Commission Expires: August 6, 2002

TRINA L. KING
Notary Public, State of Ohio
My Commission Expires 8-6-2002